

A N E W D I R E C T I O N

WD-40 Company



1 9 9 6

A N N U A L

R E P O R T

Year Ended

August

Thirty-First



HIGHLIGHTS OF THE THREE YEARS ENDED AUGUST 31

	1996	1995	1994
Net Sales	\$ 130,912,000	\$ 116,776,000	\$ 112,166,000
Net Income	\$ 21,297,000	\$ 20,453,000	\$ 12,683,000
Earnings per Share	\$ 2.76	\$ 2.66	\$ 1.65
Dividends per Share	\$ 2.48	\$ 2.42	\$ 2.30
Average Number of Shares Outstanding	7,711,864	7,700,239	7,686,124
Shares Outstanding at Year-End	7,720,953	7,703,155	7,692,975
Number of Shareholders	2,280	2,356	2,499
Number of Employees	149	148	144

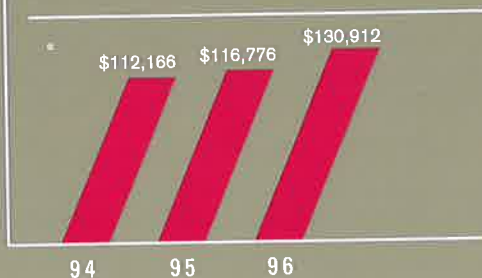
Highlights of fiscal 1996:

- Current Ratio: 3.4 to 1
- Net Sales per Employee: \$879,000
- Net Income to Average Shareholder Equity: 46.5%
- Receivables to Net Sales: 16.4%
- Inventories to Net Sales: 3.0%*

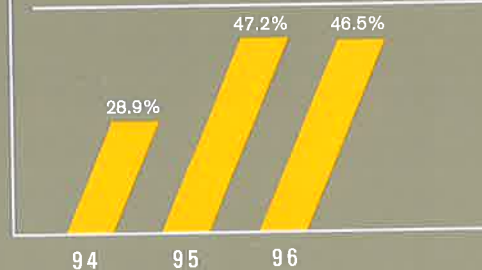
* Does not include effect of product held at contract packagers.

NET SALES

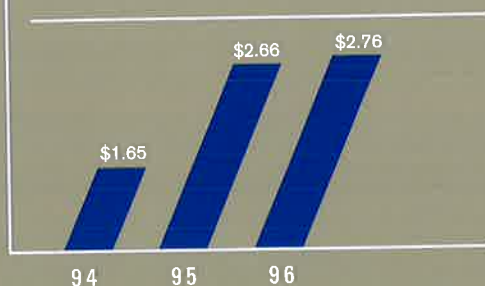
(Dollars shown in thousands)



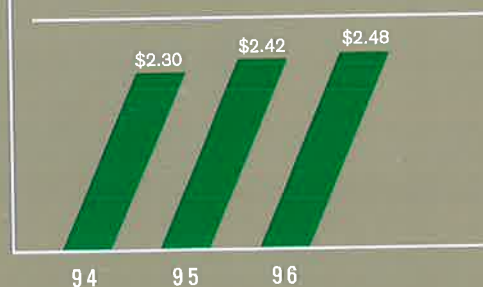
NET INCOME TO AVERAGE SHAREHOLDER EQUITY



EARNINGS PER SHARE



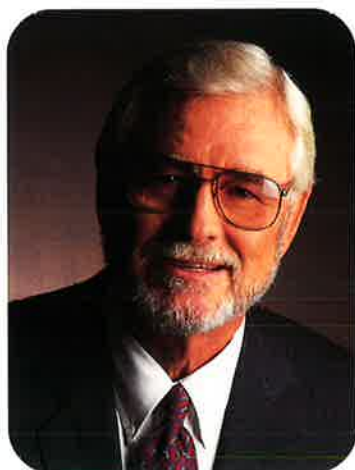
DIVIDENDS PER SHARE





NOVEMBER 1, 1996

"WE HAVE CREATED A NEW VISION, NEW PRODUCTS AND NEW MARKETS TO PROVIDE A NEW DIRECTION FOR YOUR COMPANY."



Welcome to your "new" WD-40 Company.

We have created a new vision, new products and new markets to provide a new direction for your Company.

It is a direction that is going to energize WD-40 Company with a renewed vitality to fulfill its historic corporate objective of increasing earnings and dividends.

Our new direction is symbolized in the new WD-40 Company logo you may have noticed on the cover. It represents a shift from a company with one highly successful product to a company with three strong products that will enable us to achieve dominant market share in the multi-purpose lubricant category worldwide.

HIGHLIGHTS OF THE YEAR

ADDING NEW PRODUCTS is easily the most exciting news we have ever had, especially for a company that has sold one product since its start 43 years ago. The well-known 3-IN-ONE Oil brand was acquired from Reckitt & Colman P.L.C. in December 1995; and a new product, T-A-L 5, a premium, extra-strength lubricant, was developed and will be launched in November 1996.

NET SALES worldwide were up \$14 million, representing a 12.1% increase over 1995 and pushing the total to a record \$130.9 million. North America posted a modest gain of 3.4%, while exports from the U.S. to Latin America and Asia were up 45% and 28%, respectively. Sales from our U.K. subsidiary into Europe and the Middle East grew by 24%. International sales now account for 44% of sales compared to 38% a year ago. 3-IN-ONE Oil generated sales of just over \$5 million for the approximate one-half year it was owned by the Company.

OPERATING INCOME increased by a modest 3.8% to \$32.7 million. Several factors combined to adversely affect income, including higher product costs due to inflationary pressures on the components, added costs associated with promotional packaging and increased operating overheads.

NET INCOME (which included amortization expense, net of tax, of \$.09 per share) was \$2.76 per share, up 3.8%.

DIVIDENDS were increased by 2.5% to \$2.48 and returned an average yield of approximately 5.7% for the year.

THE GLOBAL MARKETPLACE accounted for nearly \$58 million in sales this year, and we expect that figure to grow steadily as WD-40 Company becomes more global in scope each year. Changes in personnel assignments continue to be implemented to ensure rapid expansion in worldwide markets for all three of the Company's products.

ENVIRONMENTAL REGULATIONS regarding VOCs (Volatile Organic Compounds) came into focus during fiscal year 1996 and we responded in June by changing our propellant from hydrocarbon to CO₂, thus reducing the VOC content. This change will not affect the performance of our products, in fact, it will allow more usable product to be sprayed from each can.

BUSINESS is not without RISK, so you should be aware of some areas that could affect your Company. Changing purchasing policies of key accounts around the world could have either a positive or negative effect on our business. And because litigation seems to be ever more prevalent in today's society, your Company, along with the entire business community, will always have some legal exposure.

THE OUTLOOK for your Company remains positive. Growth in North America will be steady, and should be enhanced by the introduction of T-A-L 5. With the addition of 3-IN-ONE Oil and aggressive market development for WD-40, the potential for increased sales worldwide is obvious.

We hope you will be as excited as Management is about your Company's new direction. We firmly believe it will lead us to record sales and earnings and to increased dividends in fiscal year 1997.

Sincerely,

Gerald C. Schleif
President, Chief Executive Officer

“We are no longer
a one product company.
Our goal is to achieve
a dominant market
share of the entire
category worldwide.”

GROWTH
OPPORTUNITY



3-IN-ONE AND T-A-L 5 PROVIDE WD-40 COMPANY INCREMENTAL SALES OPPORTUNITY. WD-40 WILL REMAIN THE PRIMARY SALES LEADER. COMBINED, THEY ARE EXPECTED TO ACHIEVE THE SALES AND PROFIT GOALS OF THE COMPANY.

After more than four decades of manufacturing and selling one product, WD-40 Company did not decide to expand its direction overnight. The process of planning a new direction was undertaken thoughtfully and cautiously – and with the help of extensive market research.

Once the plan was set, however, execution was swift. In less than one year, the Company acquired the 3-IN-ONE Oil brand from Reckitt & Colman P.L.C. and put the finishing touches on a brand new product, T-A-L 5.

The goal: to enable the Company to dominate an entire category of lubrication products by combining the smaller, niche markets targeted by 3-IN-ONE Oil and T-A-L 5 with the massive, broad-based market enjoyed by the WD-40 brand.

The three complement each other perfectly, providing WD-40 Company with a powerful product lineup that will reduce the need for distributors to stock – and users to buy – other lubricants.

The new product lineup has given the Company the flexibility to create a powerful worldwide marketing strategy. The acquisition of 3-IN-ONE Oil, for example, instantly provided the

Company with a built-in distribution network in 17 countries, including nations in which the WD-40 brand is not yet sold. Piggybacking the WD-40 brand onto this well-established network will be invaluable to the Company's future growth.

And 3-IN-ONE itself is a strong product that offers tremendous growth potential in dozens of Third World and developing countries where it can be sold in small, affordable units that provide people with an entree into the world of lubricants.

In the maturing markets of North America, U.K. and Australia, sales of the WD-40 brand are expected to continue to grow steadily, while T-A-L 5 will be introduced into the Company's distribution system to penetrate the niche market of sophisticated industrial users who need an extra-strength lubricant.

As 1997 begins, WD-40 Company is no longer just the WD-40 brand. It is a company with three distinct products that will give the Company the leverage to help distributors and retailers drive traffic, increase sales and improve margins. That, in turn, will translate into higher earnings and greater dividends for years to come.

T·A·L 5™: New Extra Strength Lubricant for Tough Jobs.

Scheduled for launch in November 1996, T·A·L 5 is an extra-strength synthetic spray lubricant for heavy-duty applications. T·A·L 5 was created to be a product that will find its own identity with users and not divert sales away from WD-40 itself. It will be targeted at specialized users in the trades and general industry, especially manufacturing.

T·A·L 5 — which stands for "Triple Additive Lubricant / 5 functions" — resists breakdown due to corrosion, friction, temperature, load and motion. Applied to metal, rubber or plastic, T·A·L 5 provides long-lasting film strength and durability, which can ultimately help prolong the life of equipment.

T·A·L 5 is aimed at an industrial niche currently occupied by scores of competing products. T·A·L 5 can dominate that niche for two reasons: first, it can be funneled into WD-40's extensive distribution network; and second, as a high quality, multi-application product, it will eliminate the need for distributors and users to stock the slew of marginally effective heavy-duty spray lubricants currently in the market.



WD-40®: America's #1 Multi-Purpose Product.

The WD-40 brand may no longer be the only product offered by WD-40 Company, but it is still the most important, serving as the cornerstone for all the Company does.

WD-40's versatility has made it the world's number one multi-purpose problem solver. It has five basic functions — cleaning, lubricating, penetrating, displacing moisture and preventing rust. WD-40 has thousands of uses at work, in the home, for the car, at the workbench, in the garden and on sports and recreation equipment.

The success of WD-40 has spawned literally hundreds of imitators, some backed by billion-dollar corporations. However, strong brand loyalty has enabled WD-40 not only to withstand incursions by competitors, but to actually expand its market share in the multi-purpose category.

There are ambitious plans for the Company's flagship product, both in the maturing markets of North America and Europe, where growth is expected to steadily increase, and in the rest of the world, where there is tremendous potential for the foreseeable future.



3-IN-ONE®: Precision Lubrication, Drop by Drop.

3-IN-ONE Oil is a lubricant consumers have relied on for more than a century. No other drip oil is found in as many homes or is as well known as 3-IN-ONE. It is also heavily used by industry, having established itself as a trusted leader in such diverse areas as locksmithing, HVAC, marine, farming, construction and jewelry manufacturing.

The key to 3-IN-ONE's success is the lubrication control it gives consumers and industrial users. 3-IN-ONE's unique drip tip allows precise application for small mechanisms and assemblies, tool maintenance and threads on screws and bolts.

3-IN-ONE's quality and distribution system has enabled the product to gain international acceptance. As a low-cost, entry-level lubricant, 3-IN-ONE also has excellent growth potential in the developing nations of Eastern Europe, Latin America and Asia. In addition, the acquisition of 3-IN-ONE will facilitate the introduction and marketing of the WD-40 brand as consumers become more sophisticated in their lubricant needs.





Internationally, WD-40 Company enjoyed another strong year. Now, with the addition of 3-IN-ONE Oil and T-A-L 5 to its product line, WD-40 Company is positioned to continue its worldwide growth in the entire category.

In fiscal year 1996, key company strategies aimed at building the WD 40 brand globally paid off handsomely. International sales last year grew to \$51.4 million, an increase of 28% and now accounts for 44% of the Company's sales. Sales in Europe, the Middle East and Africa increased 24%; Latin America and Mexico sales rose 45%; and Pacific and Asia sales jumped 28%.

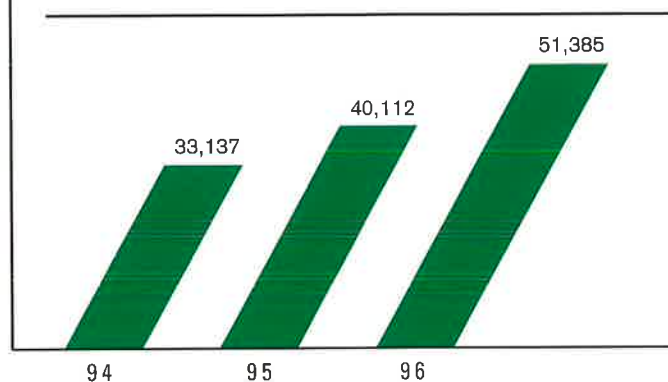
One of those strategies – to increase end-user awareness and distribution in global markets – has been so successful that WD-40 is now marketed in more than 135 countries and in 30 different languages.

The core of that global strategy is the efficient outsourcing of sales and marketing, an approach that allows WD-40 Company to carry out its four "P's" (Product, Policy, Programs and People) in countries all over the world.

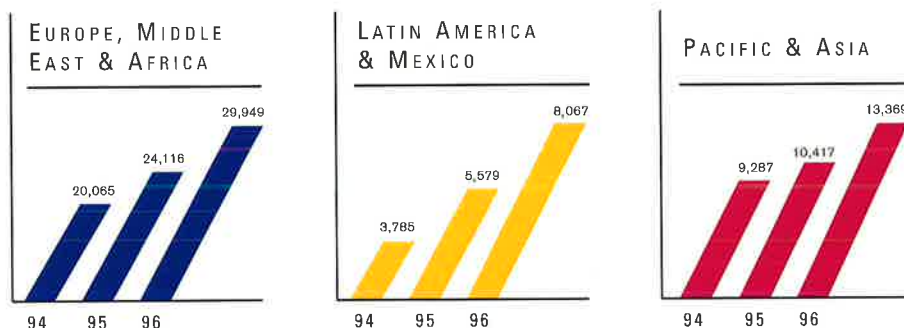
It is accomplished by establishing strategic alliances with marketing distributors in each country. The Company takes care of Product, shares responsibility for Policy and Programs, and turns over the People portion to the marketing distributor who has the local knowledge and expertise to successfully promote, sell and distribute product. The Company has entered into more than 60 such strategic distributorships, which eventually will account for a third of all revenue.

This strategy will be made even more powerful as the Company begins to take full advantage of the extensive worldwide distribution network that was a major benefit of the 3 IN ONE acquisition. Combined, they will soon begin attracting new consumers to WD-40 Company's family of lubricants.

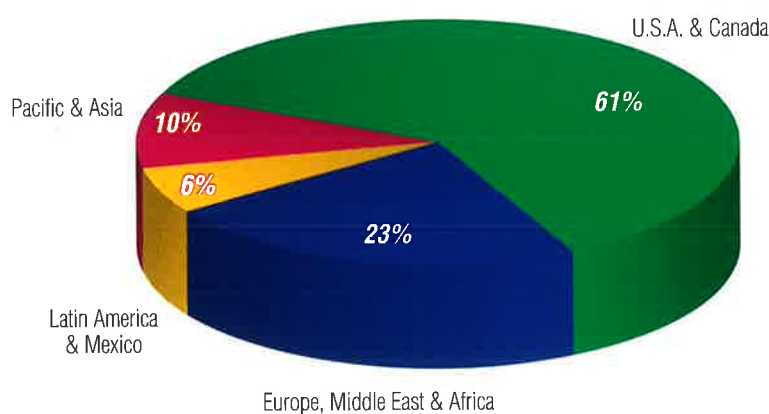
TOTAL SALES HISTORY INTERNATIONAL OPERATION 1994-1996 (\$000)



SALES HISTORY FOR OPERATING UNITS (\$000)



DISTRIBUTION OF INTERNATIONAL SALES BY OPERATING UNIT



REPORT OF INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP



To the Board of Directors and
Shareholders of WD-40 Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of WD-40 Company and its subsidiaries at August 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

San Diego, California

October 4, 1996

WD-40 COMPANY CONSOLIDATED STATEMENT OF INCOME

	Year ended August 31,		
	1996	1995	1994
Net sales	\$ 130,912,000	\$ 116,776,000	\$ 112,166,000
Cost of product sold	57,925,000	50,229,000	47,028,000
Gross profit	72,987,000	66,547,000	65,138,000
Operating expenses:			
Selling, general and administrative	27,027,000	23,759,000	21,896,000
Advertising and sales promotion	12,219,000	10,973,000	10,570,000
Amortization expense	1,065,000	333,000	289,000
Litigation settlement (Note 11)			12,628,000
	40,311,000	35,065,000	45,383,000
Income from operations	32,676,000	31,482,000	19,755,000
Interest income, net	398,000	1,118,000	621,000
Other income, net	338,000	53,000	107,000
Income before income taxes	33,412,000	32,653,000	20,483,000
Provision for income taxes	12,115,000	12,200,000	7,800,000
Net income	\$ 21,297,000	\$ 20,453,000	\$ 12,683,000
Earnings per share	\$ 2.76	\$ 2.66	\$ 1.65
Average number of shares outstanding	7,711,864	7,700,239	7,686,124

See accompanying notes to consolidated financial statements.

WD-40 COMPANY CONSOLIDATED BALANCE SHEET

Assets

	August 31,	
	1996	1995
Current assets:		
Cash and cash equivalents	\$ 6,748,000	\$ 11,090,000
Short-term investments	104,000	13,227,000
Trade accounts receivable, less allowance for cash discounts and doubtful accounts of \$420,000 and \$476,000	21,440,000	17,088,000
Product held at contract packagers	2,304,000	2,307,000
Inventories	3,867,000	2,570,000
Other current assets	3,170,000	3,298,000
Total current assets	37,633,000	49,580,000
Property, plant and equipment, net	3,938,000	3,467,000
Long-term investments	4,044,000	4,378,000
Goodwill, net	14,392,000	
Other assets	1,651,000	2,154,000
	<u>\$ 61,658,000</u>	<u>\$ 59,579,000</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,784,000	\$ 4,749,000
Accrued payroll and related expenses	2,737,000	2,619,000
Income taxes payable	1,879,000	3,053,000
Current portion of long-term debt	706,000	659,000
Total current liabilities	11,106,000	11,080,000
Long-term debt	2,427,000	3,132,000
Deferred employee benefits	954,000	862,000
	3,381,000	3,994,000
Shareholders' equity:		
Common stock, no par value, 9,000,000 shares authorized - 7,720,953 and 7,703,155 shares issued and outstanding	6,603,000	6,083,000
Paid-in capital	321,000	321,000
Retained earnings	40,425,000	38,251,000
Cumulative translation adjustment	(178,000)	(150,000)
Total shareholders' equity	47,171,000	44,505,000
Commitments and contingencies (Note 12)		
	<u>\$ 61,658,000</u>	<u>\$ 59,579,000</u>

See accompanying notes to consolidated financial statements.

WD-40 COMPANY CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	<i>Common Stock</i>		<i>Paid-in capital</i>	<i>Retained earnings</i>	<i>Cumulative translation adjustment</i>
	<i>Shares</i>	<i>Amount</i>			
Balance at August 31, 1993	7,670,781	\$ 5,180,000	\$ 221,000	\$ 41,428,000	\$ (1,136,000)
Issuance of common stock upon exercise of options	30,965	961,000			
Repurchase of common stock upon exercise of options	(8,771)	(421,000)			
Cash dividends				(17,678,000)	
Compensatory stock options			71,000		
Change in cumulative translation adjustment					786,000
Net income				12,683,000	
Balance at August 31, 1994	7,692,975	5,720,000	292,000	36,433,000	(350,000)
Issuance of common stock upon exercise of options	10,180	363,000			
Cash dividends				(18,635,000)	
Compensatory stock options			29,000		
Change in cumulative translation adjustment					200,000
Net income				20,453,000	
Balance at August 31, 1995	7,703,155	6,083,000	321,000	38,251,000	(150,000)
Issuance of common stock upon exercise of options	22,696	747,000			
Repurchase of common stock upon exercise of options	(4,898)	(227,000)			
Cash dividends				(19,123,000)	
Change in cumulative translation adjustment					(28,000)
Net income				21,297,000	
Balance at August 31, 1996	7,720,953	\$ 6,603,000	\$ 321,000	\$ 40,425,000	\$ (178,000)

See accompanying notes to consolidated financial statements.

WD-40 COMPANY CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended August 31,		
	1996	1995	1994
Cash flows from operating activities:			
Net income	\$ 21,297,000	\$ 20,453,000	\$ 12,683,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,760,000	996,000	844,000
Loss on sale of equipment	32,000	124,000	39,000
Non-cash compensation		29,000	71,000
Decrease (increase) in long-term deferred income taxes	585,000	(639,000)	(37,000)
Changes in assets and liabilities:			
Trade accounts receivable	(4,276,000)	(2,205,000)	(838,000)
Product held at contract packagers	3,000	1,460,000	(3,767,000)
Inventories	(1,270,000)	(78,000)	3,103,000
Other assets	(308,000)	(1,585,000)	47,000
Accounts payable and accrued expenses	1,109,000	650,000	(427,000)
Income taxes payable	(832,000)	2,166,000	(1,483,000)
Long-term deferred employee benefits	92,000	63,000	98,000
Net cash provided by operating activities	18,192,000	21,434,000	10,333,000
Cash flows from investing activities:			
Decrease (increase) in short-term investments	13,123,000	(4,077,000)	1,739,000
Non-cash intangible assets of business acquired	(15,047,000)		
Decrease in investment with bonding agency			8,117,000
Proceeds from sale of equipment	163,000	307,000	170,000
Capital expenditures	(1,353,000)	(1,371,000)	(796,000)
Net cash (used in) provided by investing activities	(3,114,000)	(5,141,000)	9,230,000
Cash flows from financing activities:			
Proceeds from issuance of common stock	520,000	363,000	540,000
Repayments of long-term debt	(658,000)	(615,000)	(594,000)
Dividends paid	(19,123,000)	(18,635,000)	(17,678,000)
Net cash used in financing activities	(19,261,000)	(18,887,000)	(17,732,000)
Effect of exchange rate changes on cash	(159,000)	169,000	802,000
(Decrease) increase in cash and cash equivalents	(4,342,000)	(2,425,000)	2,633,000
Cash and cash equivalents at beginning of year	11,090,000	13,515,000	10,882,000
Cash and cash equivalents at end of year	\$ 6,748,000	\$ 11,090,000	\$ 13,515,000
Non-cash investing and financing activities:			
Repurchase of common stock upon exercise of options	\$ 227,000	\$ -0-	\$ 421,000
Long-term investment in low income housing (Note 9)	\$ -0-	\$ -0-	\$ 2,000,000
Long-term debt related to low income housing investment (Note 9)	\$ -0-	\$ -0-	\$ 2,000,000

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, WD-40 Products (Canada) Ltd., WD-40 Company Ltd. (U.K.), and WD-40 Company (Australia) Pty. Ltd. All significant intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

Diversification of Credit Risk

The Company's policy is to place its cash, cash equivalents and investments in high credit quality financial institutions, government agencies and corporate entities and to limit the amount of credit exposure.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenues are recognized upon the shipment of product to third party wholesalers.

Product Held at Contract Packagers

Product held at contract packagers represents the inventory held at United States, Australian, and Canadian contract packagers underlying their obligation to pay the Company for the inventory acquired.

These contract packagers will continue to package WD-40 products to rigid specifications, and upon order from WD-40 Company, ship ready-to-sell inventory to the Company's customers. The United States contract packagers, rather than the Company, are responsible for inventory control. The Company does not record a sale of the inventory until such inventory is purchased by third party wholesalers.

Inventories

Inventories are stated at the lower of average cost or market. The inventory balance primarily represents inventory owned by WD-40 Company Ltd. (U.K.) and concentrate owned by WD-40 Company (U.S.).

Property, Plant and Equipment

Property, plant, and equipment are stated at cost. Depreciation has been computed principally using the straight-line method based upon estimated useful lives of thirty to forty years for buildings and improvements and three to fifteen years for machinery and equipment.

Goodwill

Goodwill represents the excess of the purchase cost over the fair value of identifiable assets at the date of acquisition (Note 2) and is amortized on a straight-line basis over its estimated useful life of fifteen years. The Company evaluates the carrying value of goodwill at each balance sheet date as well as the amortization period to determine whether adjustments are required. No such adjustments have been recorded by the Company.

Advertising Costs

The Company expenses advertising costs when the liabilities arise.

Fair Value of Financial Instruments

At August 31, 1996, the carrying amounts of the Company's financial instruments, including cash equivalents, short-term investments, trade receivables and accounts payable, approximated their fair values due to their short-term maturities. Management believes that the estimated fair value of the Company's long-term investments and debt approximated their carrying values at August 31, 1996.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting and tax bases of assets and liabilities. Deferred income tax expense is the change during the year in the deferred income tax liability or asset.

Foreign Currency

The accounts of the Company's foreign subsidiaries have been translated into United States dollars at appropriate rates of exchange. Cumulative translation gains or losses are recorded as a separate component of shareholders' equity. Gains or losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's local currency) are included in the consolidated statement of income and are not material.

Earnings Per Share

Earnings per share are based upon the weighted average number of shares outstanding during each year increased by the effect of dilutive stock options, when applicable, using the treasury stock method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock-Based Compensation

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." SFAS 123 will be adopted by the Company as required for its fiscal 1997 financial statements. Upon adoption of SFAS 123, the Company will continue to measure compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," and will provide pro forma disclosures of net income and earnings per share as if the fair value-based method prescribed by SFAS 123 had been applied in measuring compensation expense. Accordingly, the adoption of SFAS 123 will not impact the Company's financial position or results of operations.

Long-Lived Assets

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which the Company will adopt prospectively as required in fiscal 1997. Pursuant to this Statement, companies are required to investigate potential impairments of long-lived assets, certain identifiable intangibles, and associated goodwill, on an exception basis, when there is evidence that events or changes in circumstances have made recovery of an asset's carrying value unlikely. An impairment loss would be recognized when the sum of the undiscounted expected future net cash flows is less than the carrying amount of the asset. The adoption of SFAS 121 is not expected to have a significant impact on the Company's financial position or results of operations.

Reclassifications

Certain 1995 and 1994 balances have been reclassified to conform to the 1996 presentation.

NOTE 2 - ACQUISITION

On December 8, 1995, the Company acquired all of the worldwide trademarks and other intangible assets relating to the sale of 3-IN-ONE brand lubricating oil products from Reckitt & Colman, Inc., a Delaware corporation, Reckitt & Colman (Overseas) Limited, an English corporation, and other affiliates of Reckitt & Colman P.L.C., an English corporation, (collectively, Reckitt & Colman) under an asset purchase and sale agreement. The acquisition of assets included inventory and the rights to manufacture, sell, and distribute this product line. No other physical property, plant, or equipment was acquired. The Company paid cash in the amount of \$15,047,000 for the trademarks and other intangible assets and approximately \$400,000 for inventory. None of the funds required for the acquisition were borrowed. Accumulated amortization of goodwill at August 31, 1996 and the related amortization expense for the year then ended was \$732,000.

NOTE 3 - SELECTED FINANCIAL STATEMENT INFORMATION

	August 31,	
	1996	1995
Inventories:		
Raw materials	\$ 333,000	\$ 373,000
Finished goods	3,534,000	2,197,000
	<u>\$ 3,867,000</u>	<u>\$ 2,570,000</u>
Property, plant and equipment:		
Land	\$ 254,000	\$ 254,000
Building and improvements	1,746,000	1,721,000
Machinery and equipment	5,141,000	4,529,000
	<u>7,141,000</u>	<u>6,504,000</u>
Accumulated depreciation	<u>(3,203,000)</u>	<u>(3,037,000)</u>
	<u>\$ 3,938,000</u>	<u>\$ 3,167,000</u>

NOTE 4 - BUSINESS SEGMENT AND FOREIGN OPERATIONS

The Company operates in one business segment - the manufacture and sale of multi-purpose lubricants principally through retail chain stores, automotive parts outlets, and industrial distributors and suppliers.

Information regarding the Company's operations in different geographic areas is summarized below. WD-40 Company (U.S.) includes all domestic and intercompany sales, as well as sales to the Caribbean, Mexico, South America, and the Pacific Rim, except for Australia and New Zealand. WD-40 Company (U.S.) export sales were \$18,163,000, \$13,413,000, and \$10,663,000 in fiscal 1996, 1995, and 1994, respectively. WD-40 Company Ltd. (U.K.) includes sales to Europe, the Middle East, and Africa. WD-40 Products (Canada) Ltd. and WD-40 Company (Australia) Pty. Ltd. are included in other foreign subsidiaries. Substantially all sales by these operations are to customers within Canada, Australia, and New Zealand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year ended August 31,		
	1996	1995	1994
Net sales:			
WD-40 Company (U.S.)	\$ 93,487,000	\$ 86,547,000	\$ 83,550,000
WD-40 Company Ltd. (U.K.)	29,949,000	24,116,000	20,129,000
Other foreign subsidiaries	8,751,000	6,978,000	9,577,000
Intercompany	(1,275,000)	(865,000)	(1,090,000)
	<u>\$ 130,912,000</u>	<u>\$ 116,776,000</u>	<u>\$ 112,166,000</u>

	Year ended August 31,		
	1996	1995	1994
Operating profit:			
WD-40 Company (U.S.)	\$ 22,352,000	\$ 23,391,000	\$ 24,480,000
WD-40 Company Ltd. (U.K.)	8,134,000	6,693,000	5,462,000
Other foreign subsidiaries	2,190,000	1,398,000	2,441,000
Interest income, net	398,000	1,118,000	621,000
Other income, net	338,000	53,000	107,000
Litigation settlement			(12,628,000)
Income before income taxes	<u>\$ 33,412,000</u>	<u>\$ 32,653,000</u>	<u>\$ 20,483,000</u>

	August 31,		
	1996	1995	1994
Identifiable assets:			
WD-40 Company (U.S.)	\$ 44,876,000	\$ 45,587,000	\$ 42,421,000
WD-40 Company Ltd. (U.K.)	14,949,000	12,443,000	8,810,000
Other foreign subsidiaries	1,833,000	1,549,000	3,641,000
	<u>\$ 61,658,000</u>	<u>\$ 59,579,000</u>	<u>\$ 54,872,000</u>

NOTE 5 - INCOME TAXES

The provision for income taxes includes the following:

	Year ended August 31,		
	1996	1995	1994
Current tax provision:			
United States	\$ 6,812,000	\$ 8,021,000	\$ 3,531,000
State	1,818,000	1,971,000	1,600,000
Foreign	2,866,000	2,995,000	2,796,000
Total current	<u>11,496,000</u>	<u>12,987,000</u>	<u>7,927,000</u>
Deferred tax provision (benefit):			
United States	563,000	(792,000)	(131,000)
Foreign	56,000	5,000	4,000
Total deferred	<u>619,000</u>	<u>(787,000)</u>	<u>(127,000)</u>
	<u>\$ 12,115,000</u>	<u>\$ 12,200,000</u>	<u>\$ 7,800,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets included in other current assets are comprised of the following:

	<i>August 31, 1996</i>	<i>August 31, 1995</i>
Accrued employee benefits	\$ 375,000	\$ 329,000
State income taxes	273,000	275,000
Reserves and allowances	104,000	180,000
	<u>\$ 752,000</u>	<u>\$ 784,000</u>

Long-term deferred tax assets and (liabilities) included in other assets are comprised of the following:

	<i>August 31, 1996</i>	<i>August 31, 1995</i>
Depreciation	\$ (283,000)	\$ (216,000)
Foreign tax credit		586,000
Deferred compensation	395,000	362,000
Other	118,000	85,000
	<u>\$ 230,000</u>	<u>\$ 817,000</u>

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes follows:

	<i>Year ended August 31,</i>		
	<i>1996</i>	<i>1995</i>	<i>1994</i>
Amount computed at U.S. statutory federal rate	\$ 11,694,000	\$ 11,429,000	\$ 7,169,000
State income taxes, net of federal benefit	1,182,000	1,235,000	1,040,000
Affordable housing credits	(499,000)	(111,000)	(85,000)
Competent authority refund			(345,000)
Other	(262,000)	(353,000)	21,000
	<u>\$ 12,115,000</u>	<u>\$ 12,200,000</u>	<u>\$ 7,800,000</u>

Income taxes paid in fiscal 1996, 1995, and 1994 amounted to \$12,329,000, \$11,643,000 and \$9,221,000 respectively.

NOTE 6 - STOCK OPTIONS

The Company has an incentive stock option plan whereby the Board of Directors may grant officers and key employees options to purchase an aggregate of not more than 440,000 shares of the Company's common stock at a price not less than 100 percent of the fair market value of the stock at the date of grant. Options are generally exercisable one year after grant and may not be granted for terms in excess of ten years. At August 31, 1996 options for 148,453 shares were exercisable and options for 140,700 shares were available for future grants.

A summary of the changes in options outstanding under the Company's Stock Option Plan during the three years ended August 31, 1996 is as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<i>Number of shares</i>	<i>Option price per share</i>
Outstanding at August 31, 1993.....	132,596	\$24.50 - \$40.00
Options granted	54,700	\$47.50
Options exercised	(30,965)	\$24.50 - \$40.00
Options canceled	(7,011)	\$30.88 - \$47.50
Outstanding at August 31, 1994.....	149,320	\$24.50 - \$47.50
Options granted	58,900	\$42.50
Options exercised	(10,180)	\$30.68 - \$40.00
Options canceled	(5,381)	\$40.00 - \$47.50
Outstanding at August 31, 1995.....	192,659	\$24.50 - \$47.50
Options granted	62,400	\$42.38
Options exercised	(22,696)	\$24.50 - \$42.50
Options canceled	(11,497)	\$42.38 - \$47.50
Outstanding at August 31, 1996.....	220,866	\$24.50 - \$47.50

NOTE 7 - EMPLOYEE BENEFIT PLANS

The Company has a combined Money Purchase Pension Plan and Profit Sharing Plan for the benefit of its regular full-time employees who meet certain minimum criteria. The Plans provide for annual contributions into a trust to the extent of 10% of covered employee compensation for the Money Purchase Pension Plan and as approved by the Board of Directors for the Profit Sharing Plan, but which may not exceed the amount deductible for income tax purposes. The Plans may be amended or discontinued at any time by the Company. Contributions charged to income under the plans for fiscal 1996, 1995, and 1994 approximated \$1,029,000, \$1,029,000, and \$987,000, respectively.

The Company has a Salary Deferral Employee Stock Ownership Plan whereby regular full-time employees who have completed at least one year of service can defer a portion of their income through contributions to a trust. The Plan provides for Company contributions to the trust, as approved by the Board of Directors, equal to fifty percent or more of the compensation deferred by employees, but not in excess of the amount deductible for income tax purposes. Company contributions to the trust are invested in the Company's common stock. The Plan may be amended or discontinued at any time by the Company. Company contribution expense for fiscal 1996, 1995, and 1994 was approximately \$118,000, \$104,000, and \$118,000, respectively.

The Company has agreed to provide fixed retirement benefits to certain of its key executives. The Company's gross liability related to these agreements approximates \$2,461,000 of which \$954,000, representing the present value of these obligations to employees for service through August 31, 1996, has been accrued.

The Company has life insurance policies on certain of its key executives. As of August 31, 1996, the aggregate cash surrender value of these policies is \$1,421,000 which is included in other assets. Keyman Life Insurance Premiums paid by the Company in fiscal 1996, 1995, and 1994 were \$46,000, \$91,000, and \$91,000, respectively.

NOTE 8 - INVESTMENTS

Effective September 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Investments subject to the standard are required to be carried at fair value, unless they are held-to-maturity. Adoption of this accounting treatment had no effect on the Company's financial position or results of operations as all of the Company's investments that are subject to this standard are classified as held-to-maturity and are carried at amortized cost.

Following is a summary of held-to-maturity securities all of which mature in one year or less:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<i>Held-to-Maturity Securities</i>			
	<i>Cost</i>	<i>Gross Unrealized Gains</i>	<i>Gross Unrealized Losses</i>	<i>Estimated Fair Values</i>
August 31, 1996				
U.S. Corporate securities	\$ 104,000	\$ -0-	\$ -0-	\$ 104,000

	<i>Held-to-Maturity Securities</i>			
	<i>Cost</i>	<i>Gross Unrealized Gains</i>	<i>Gross Unrealized Losses</i>	<i>Estimated Fair Values</i>
August 31, 1995				
U.S. Treasury securities	\$ 5,883,000	\$ 171,000	\$ 1,000	\$ 6,053,000
State and local government securities	5,045,000	1,000	13,000	5,033,000
U.S. Corporate securities	2,299,000	42,000		2,341,000
	<u>\$ 13,227,000</u>	<u>\$ 214,000</u>	<u>\$ 14,000</u>	<u>\$ 13,427,000</u>

NOTE 9 - LONG-TERM INVESTMENT AND RELATED DEBT

On August 31, 1993 and December 13, 1994, the Company purchased partnership units in an affordable housing tax credit fund for \$3,000,000 and \$2,000,000, respectively. The Company's decision to invest in the fund was due to the favorable tax credits that are available over the investment period of 15 years, subject to certain tax restrictions. The investment is accounted for at historical cost, amortized on a straight-line basis over 15 years. Amortization expense for the years ended August 31, 1996, 1995, and 1994 was \$333,000, \$333,000, and \$289,000, respectively.

The Company entered into seven-year promissory notes to fund its investments in the affordable housing tax credit fund. Each note is secured by the corresponding investment and bears interest at 7.0%. Interest and principal payments on each note are \$559,000 and \$370,000, respectively, due annually each January through 2000. Interest paid in fiscal 1996, 1995, and 1994 was \$270,000, \$314,000, and \$98,000, respectively.

NOTE 10 - BANK LINE OF CREDIT

In April of 1996, the Company obtained an unsecured line of credit with a commercial bank which is subject to renegotiation on an annual basis and expires on February 1, 1997. Under the terms of the credit agreement, the Company may borrow up to \$5,000,000 at the bank's prime rate (8.25% at August 31, 1996), or LIBOR plus 2.5% if a minimum of \$100,000 is borrowed. The credit agreement requires the Company to maintain certain minimum income levels and meet certain other restrictive covenants. There were no borrowings on this line at August 31, 1996 and the Company was in compliance with all covenants of the credit agreement at August 31, 1996.

NOTE 11 - SETTLEMENT OF LITIGATION

In February 1989, an action was filed against the Company in the Superior Court of California by eight former commissioned sales representatives. The plaintiffs alleged that their contracts were wrongfully terminated when the Company replaced all of its United States commissioned sales representatives with an in-house sales force. In January 1992, a jury awarded the plaintiffs damages for breach of contract in the amount of \$10,291,000. Subsequent to the California Supreme Court's denial of the Company's petition for review in April 1994, the Company paid the original judgment, accrued interest and court costs of \$12,628,000 in final settlement of this matter.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company is party to various claims, legal actions and complaints, including product liability litigation, arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or will not have a material adverse effect on the Company's financial position or results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company was committed under certain noncancelable operating leases at August 31, 1996 which provide for the following future minimum lease payments: 1997, \$143,000; 1998, \$83,000; 1999, \$37,000; 2000, \$2,000. Rent expense for the years ended August 31, 1996, 1995, and 1994 was \$273,000, \$192,000, and \$154,000, respectively.

NOTE 13 - SUBSEQUENT EVENT

On September 23, 1996, the Company declared a cash dividend of \$.62 per share payable on October 30, 1996 to shareholders of record on October 10, 1996.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth certain unaudited quarterly financial information for each of the two years in the period ended August 31, 1996.

<i>Quarter ended:</i>	<i>Net sales</i>	<i>Gross profit</i>	<i>Net income</i>	<i>Earnings per share</i>
November 30, 1994	\$ 29,769,000	\$ 17,133,000	\$ 5,519,000	\$.72
February 28, 1995	29,389,000	17,092,000	5,608,000	.73
May 31, 1995	29,916,000	16,696,000	4,896,000	.63
August 31, 1995	27,702,000	15,626,000	4,430,000	.58
	<u>\$ 116,776,000</u>	<u>\$ 66,547,000</u>	<u>\$ 20,453,000</u>	<u>\$ 2.66</u>
November 30, 1995	\$ 27,612,000	\$ 15,926,000	\$ 5,266,000	\$.68
February 28, 1996	35,080,000	19,980,000	5,883,000	.77
May 31, 1996	34,228,000	18,744,000	5,036,000	.65
August 31, 1996	33,992,000	18,337,000	5,112,000	.66
	<u>\$ 130,912,000</u>	<u>\$ 72,987,000</u>	<u>\$ 21,297,000</u>	<u>\$ 2.76</u>

STOCK INFORMATION

<i>Period:</i>	<i>Fiscal 1996</i>			<i>Fiscal 1995</i>		
	<i>High</i>	<i>Low</i>	<i>Dividend</i>	<i>High</i>	<i>Low</i>	<i>Dividend</i>
First Quarter	42 3/4	38 3/4	.62	43 5/8	41 1/2	.60
Second Quarter	49	40 1/2	.62	44 3/4	39	.60
Third Quarter	49 1/2	45 3/4	.62	44 1/4	39	.60
Fourth Quarter	48 1/2	41 3/4	.62	44 3/4	41 1/4	.62

The high and low closing prices are as quoted in the Wall Street Journal.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

WD-40 Company (US)

1996 vs 1995

Net sales reached yet another record high of \$92.2 million, an increase of \$6.5 million or 7.6% over the previous year. Domestic net sales increased a modest \$2.5 million or 3.4% due to the ebb and flow of business in our retail environment. Export sales to Latin America and the Pacific Rim continue to grow at a very rapid rate. Sales to these areas are now \$18.2 million, up 36% from last year. These export sales now account for approximately 20% of the U.S. total. 3-IN-ONE sales accounted for \$2.5 million of this gain.

Cost of product sold continues to escalate as a percentage of sales and was 46.1% versus 43.9% in fiscal 1995. Increases in raw material and component costs and higher costs for promotional packaging, combined with an increase in export sales which carry a lower gross margin accounts for the increase.

Selling, general, and administrative expenses as a percentage of net sales were 20.2% versus 19.7% in fiscal year 1995. A general increase in overheads, higher legal costs, and the establishment of our national computer network and disaster recovery plans were the reasons for these higher expenses.

Advertising expenses as a percentage of net sales were stable at 8.8% versus 9.1% last year.

1995 vs 1994

Net sales reached another record high of \$85.7 million, an increase of \$3.2 million or 3.9% over the previous year. Domestic net sales showed a modest gain of \$485,000 or 0.7% as the retail segment of the marketplace continued to be sluggish. Export sales to the Pacific Rim and Latin America, on the other hand, hit \$13.4 million, up almost 26% over fiscal 1994.

Cost of product sold as a percentage of net sales increased significantly to 43.9% versus 42.0% in fiscal 1994. Inflationary pressures and higher costs associated with promotional packaging accounted for this steep rise.

Selling, general, and administrative expenses increased by \$1.1 million, and as a percentage of net sales was 19.7% versus 19.1% the prior year. This increase is also primarily attributable to inflation which impacted many of our overhead items including compensation and shipping charges.

Advertising and sales promotion expenses increased \$254 thousand over fiscal 1994, equating to 9.1% of net sales versus 9.2% in the prior year.

Primarily as a result of the inflationary trend in operating expenses, operating income was off \$1.1 million or 4.5% compared to fiscal 1994. However, net income increased more than 100% because of the \$12.6 million legal expense incurred in fiscal 1994. (See Note 11.)

WD-40 Company Ltd. (UK)

1996 vs 1995

Net sales increased across all of the subsidiary's territories by \$5.8 million, or 24.2%, even though the currency exchange rate was a negative 3% for the year. Prime European sales increased 53%, Eastern European sales were up 43%, and sales in the Middle East increased 10%. 3-IN-ONE sales were \$2.5 million of this gain.

Cost of sales increased to 39.8% of net sales versus 38.3% in fiscal 1995 due to a shift in the product range.

Selling, general, and administrative expenses as a percentage of net sales decreased to 22.5% versus 23.9% in fiscal year 1995 due to the increased sales.

Advertising was on budget at 10.1% of net sales versus 10.1% a year ago.

Operating income increased \$1.4 million or 21.5% primarily due to increased sales and controlled overheads.

1995 vs 1994

Net sales for the subsidiary increased \$4.0 million or 19.8% over fiscal 1994. This increase was comprised of higher net sales across the subsidiary's entire territory with Prime Europe up 47%, Eastern Europe up 100%, and the Middle East up 15%. These increases included a positive currency exchange effect of 5.5%.

Cost of products sold remained stable at 38.3% of net sales versus 38.2% in fiscal 1994.

Selling, general, and administrative expenses decreased as a percent of net sales to 23.9% versus 24.3% in fiscal 1994. This decrease reflected increased productivity.

Advertising and sales promotion expenses also decreased slightly as a percentage of net sales to 10.1% versus 10.4% in fiscal 1994. This reflected our ongoing effort to focus advertising expenditures on only the most cost beneficial promotional opportunities.

Operating income increased \$1.2 million or 22.5% over fiscal 1994 as a result of the increased net sales and stable operating costs described above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Other Subsidiaries

1996 vs 1995

Net sales increased \$1.8 million or 25% due mainly to the rebound of the retail economy in Canada.

Cost of product sold as a percentage of sales was down slightly to 48.4% versus 49.1% last year.

Selling, general, and administrative expenses along with advertising and promotion as a cost of sales was down significantly to 15.8% versus 20.5% in fiscal 1995 due to the strong rebound in the Canadian sales.

1995 vs 1994

Net sales were down \$2.6 million or 27.1% due entirely to Canada where retail sales were extremely soft.

Cost of product sold was stable at 49.1% of net sales versus 49.0% in fiscal 1994.

Selling, general and administrative expenses increased to 20.5% of net sales versus 15.8% in the prior year due entirely to the shortfall of net sales in Canada.

Advertising and sales promotion expenses were also up slightly as a percentage of net sales at 10.3% versus 9.7% again due to the lower net sales in Canada.

Operating income was down \$1.0 million or 42.7% primarily due to the soft retail economy in Canada.

Price Increases

The introduction of CO₂ propellant did increase the cost of product sold and as a result the pricing to our customers was adjusted accordingly.

This will impact our sales revenue in North America by approximately 9%, however it will have only a minor effect on net income.

Cash and Cash Equivalents

Cash and cash equivalents decreased \$4.3 million during fiscal 1996 versus a decrease of \$2.4 million in the prior year. Cash provided by operations was \$18.2 million in fiscal 1996. The decrease of \$3.2 million from fiscal 1995 was primarily due to the increase in accounts receivable and product inventories.

Cash used for investing activities totaled \$104 thousand at the end of fiscal 1996, compared with short-term investments of \$13.2 million in fiscal 1995. This change is primarily attributable to funds utilized in the purchase of 3-IN-ONE Oil in fiscal 1996.

Interest and Other Income, Net

1996 vs 1995

Net interest income declined \$720 thousand due to less funds being available for short-term investment. Other income, net, increased \$285 thousand primarily due to increases in international commission income.

1995 vs 1994

Interest income, net, increased \$497 thousand due to higher interest rates and increased short-term investment balances. Other income, net, decreased \$54 thousand primarily due to lower exchange gains in the U.K.

Liquidity and Capital Resources

The Current Ratio of 3.4-to-one on August 31, 1996, was less than the Current Ratio of 4.5-to-one on August 31, 1995, due mainly to the decrease in short-term investments. The Company has notes outstanding on August 31, 1996 for \$2.4 million. The proceeds from these notes were used to purchase partnership units in a Low Income Housing Tax Credit Fund in fiscal 1993 and fiscal 1994 (See Note 9). The Company's cash flows from operations are expected to provide sufficient funds to meet both short- and long-term operating needs, as well as future dividends. Capital expenditures for fiscal 1997 are expected to total approximately \$1.2 million principally for replacing aged vehicles and updating computer equipment.

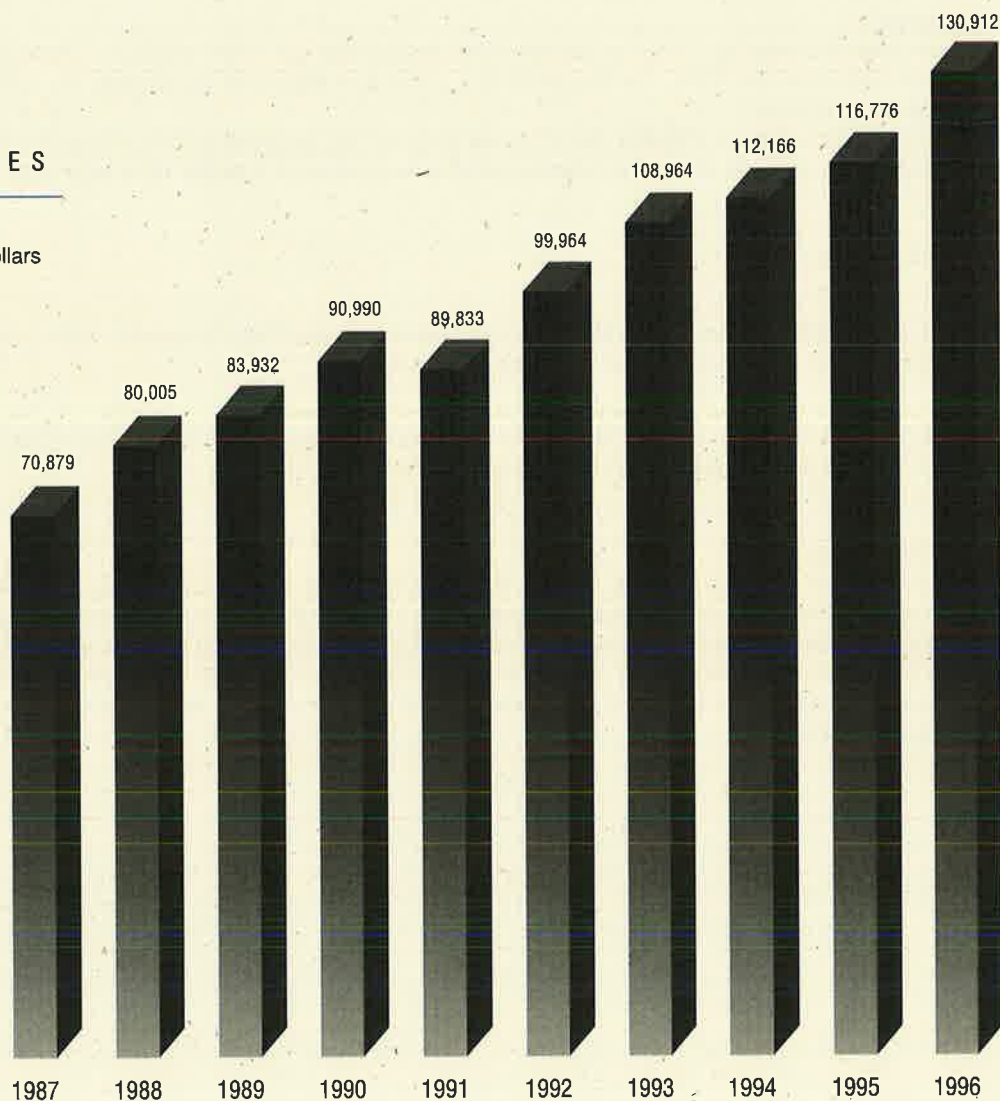
TEN YEAR SUMMARY

Fiscal Year Ended August 31

	1987	1988	1989
Net sales	\$70,879,000	\$80,005,000	\$83,932,000
Cost of product sold	30,185,000	33,931,000	36,347,000
Gross profit	40,694,000	46,074,000	47,585,000
Selling, general and administrative, and advertising and sales promotion expenses	21,009,000	21,891,000	23,744,000
Interest and other income (expense), net	988,000	1,235,000	2,084,000
Income before income taxes	20,673,000	25,418,000	25,925,000
Provision for income taxes	9,663,000	9,870,000	10,170,000
Net income	\$11,010,000	\$15,548,000	\$15,755,000
Earnings per share	\$1.46	\$2.06	\$2.08
Average number of shares outstanding	7,516,652	7,527,507	7,552,114
Dividends per share	\$1.47	\$1.63	\$1.90
Total assets	\$39,149,000	\$43,312,000	\$44,640,000
Number of employees	61	79	133

NET SALES

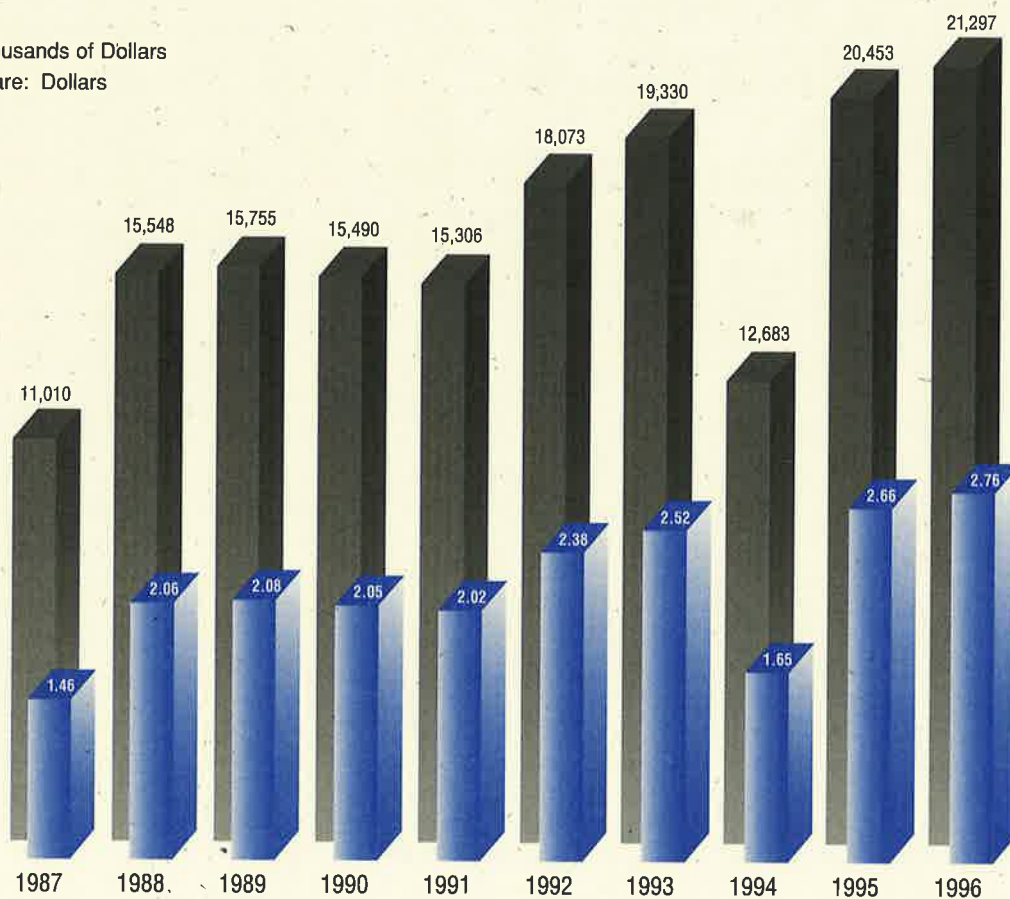
Thousands of Dollars



1990	1991	1992	1993	1994	1995	1996
\$90,990,000	\$89,833,000	\$99,964,000	\$108,964,000	\$112,166,000	\$116,776,000	\$130,912,000
40,446,000	39,828,000	42,217,000	44,686,000	47,028,000	50,229,000	57,925,000
50,544,000	50,005,000	57,747,000	64,278,000	65,138,000	66,547,000	72,987,000
27,274,000	26,305,000	29,537,000	31,242,000	32,755,000	35,065,000	40,311,000
1,910,000	1,406,000	1,263,000	(1,306,000)	(11,900,000)	1,171,000	736,000
25,180,000	25,106,000	29,473,000	31,730,000	20,483,000	32,653,000	33,412,000
9,690,000	9,800,000	11,400,000	12,400,000	7,800,000	12,200,000	12,115,000
\$15,490,000	\$15,306,000	\$18,073,000	\$19,330,000	\$12,683,000	\$20,453,000	\$21,297,000
\$2.05	\$2.02	\$2.38	\$2.52	\$1.65	\$2.66	\$2.76
7,554,154	7,555,948	7,594,243	7,660,462	7,686,124	7,700,239	7,711,864
\$2.02	\$1.72	\$2.16	\$2.30	\$2.30	\$2.42	\$2.48
\$46,785,000	\$47,752,000	\$53,596,000	\$58,784,000	\$54,872,000	\$59,579,000	\$61,658,000
136	134	136	143	144	148	149

EARNINGS

■ Net Income: Thousands of Dollars
■ Earnings per Share: Dollars



CORPORATE INFORMATION

Board of Directors

John S. Barry	Chairman of the Board, WD-40 Company Retired; Former Chief Executive Officer, WD-40 Company
Mario Crivello	Investor
Daniel W. Derbes	President, Signal Ventures
Harlan F. Harmsen	Retired Attorney; Secretary, WD-40 Company
Jack L. Heckel	Retired; Former President and Chief Operating Officer, GenCorp
Margaret L. Roulette	Investor
Gerald C. Schleif	President, Chief Executive Officer, WD-40 Company
C. Fredrick Sehnert	Retired; Former Chairman and Chief Executive Officer, Laser Precision Corp.
Edward J. Walsh	President, The Sparta Group, Ltd.

Officers

Gerald C. Schleif	President, Chief Executive Officer
Paul A. Thompson	Vice President, Sales and Marketing, North America
Garry O. Ridge	Vice President, International
Harlan F. Harmsen	Secretary
Robert D. Gal	Treasurer and Assistant Secretary

General Counsel

Harmsen, Carpenter, Sidell & Olson
A Law Corporation

Independent Accountants

Price Waterhouse LLP
San Diego, California

Transfer Agent & Registrar

Harris Trust Company of California
601 South Figueroa, 49th Floor
Los Angeles, CA 90017

Annual Meeting

2:00 P.M., November 26, 1996
Carmel Room
Mission Valley Hilton
901 Camino del Rio South
San Diego, California 92108

Corporate Office

1061 Cudahy Place
San Diego, California 92110
619/275-1400

Subsidiaries

WD-40 Company Ltd. (U.K.)
WD-40 Products (Canada) Ltd.
WD-40 Company (Australia) Pty. Ltd.

Listed

Over the Counter
Nasdaq National Market System
Symbol WDFC

COPY OF FORM 10-K

Beneficial owners may obtain without charge a copy of WD-40 Company's annual report on Form 10-K filed with the Securities and Exchange Commission for 1996 by writing to the Secretary, WD-40 Company, P.O. Box 80607, San Diego, California 92138-0607.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements concerning the Company's outlook for sales, earnings, dividends and other financial results. Such statements are subject to certain risks and uncertainties, including, but not limited to, general economic conditions in significant worldwide markets, new product acceptance by end users, product liability and other litigation, and the impact of inflation and trade account policies. Readers are urged to carefully review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors affecting the Company's business, including disclosures in this Annual Report as well as the Company's periodic reports on Forms 10-K, 10-Q and 8-K filed with the Securities Exchange Commission.